

HOUSE BILL 1384

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C8

1998 Regular Session
8r2669
CF 8r2747

By: **Delegates Barve, Taylor, Kopp, and Pitkin**
Introduced and read first time: March 5, 1998
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Commission on Pension Fund Investments in Venture Capital**

3 FOR the purpose of creating a Commission on Pension Fund Investments in Venture
4 Capital to study certain issues related to venture capital investments by the
5 State; requiring the Commission to report its findings to the General Assembly
6 on or before a certain date; providing for the termination of this Act; and
7 generally relating to the creation and duties of the Commission on Pension Fund
8 Investments in Venture Capital.

9 Preamble

10 WHEREAS, Studies have suggested that Maryland should follow the example of
11 more than 50% of other states across the country and invest a small percentage of its
12 pension funds in venture capital; and

13 WHEREAS, The percentage of public pension funds invested in venture capital
14 nationwide in 1995 ranged from a high of 7.5% to a low of 0.10%, with Maryland being
15 the lowest, at 0.10%; and

16 WHEREAS, Since 1993, the Maryland Venture Capital Trust Fund has
17 committed and invested \$19.1 million in eight partnerships that have in turn
18 invested in 29 companies in Maryland; and

19 WHEREAS, Those companies now have combined annual sales of more than
20 \$600 million, employ more than 2,400 people, and are projected to return more than
21 \$30 million to the State within the next 5 years; and

22 WHEREAS, In 1994, the State's Enterprise Investment Fund invested \$250,000
23 in Visual Networks, Inc. which now has a market value of \$14 million, translating to
24 a 5,500% gain; and

25 WHEREAS, There is ample evidence to indicate that a further investment in
26 venture capital has the capability of making significant returns on investments; and

1 WHEREAS, Since 1970, the use of venture capital has played a significant role
2 in bringing to the global market such companies as Federal Express, Apple, Microsoft,
3 and Compaq; and

4 WHEREAS, These emerging growth companies contribute jobs and revenues to
5 the economy at a faster rate than almost any other sector; and

6 WHEREAS, According to 1995 figures, the State pension fund would have
7 grown by an additional \$640 million over the last 10 years if it had invested 2% of its
8 portfolio in venture capital; and

9 WHEREAS, Venture capital can increase the expected rate of return of State
10 pension fund portfolios, provide diversified benefits to those portfolios, and further
11 stimulate the economy of Maryland; now, therefore,

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That:

14 (a) There is a Commission on Pension Fund Investments in Venture Capital.

15 (b) The Commission shall be composed of 16 members appointed as follows:

16 (1) A member of the Senate appointed by the President of the Senate;

17 (2) A member of the House of Delegates appointed by the Speaker of the
18 House;

19 (3) The Comptroller of the State of Maryland, or a designee;

20 (4) The Treasurer of the State of Maryland, or a designee;

21 (5) The Executive Director of the Michael D. Dingman Center for
22 Entrepreneurship of the University of Maryland, College Park, or a designee;

23 (6) The Chairman of the Pension Board Investment Committee, or a
24 designee;

25 (7) The Director of the Maryland Venture Capital Trust Fund, or a
26 designee;

27 (8) The Chairman of the Greater Baltimore Committee High Technology
28 Council, or a designee;

29 (9) The Director of the High Technology Council of Maryland, or a
30 designee;

31 (10) The President of the Mid-Atlantic Venture Association, or a designee;

32 (11) One individual representing the Maryland State Teachers
33 Association;

1 (12) One individual representing the Maryland State Troopers
2 Association;

3 (13) One individual representing the Association of Federal, State, County
4 and Municipal Employees;

5 (14) One individual representing the Maryland Retired Teachers
6 Association;

7 (15) One individual representing the Maryland Economic Development
8 Commission; and

9 (16) One individual representing a local government who administers its
10 own pension system, appointed jointly by the President and Speaker.

11 (c) The Commission shall:

12 (1) Develop a definition of "alternative investments";

13 (2) Develop a definition of "venture capital investments"; and

14 (3) Undertake a review of issues relating to the investment of Maryland
15 State public pension funds in venture capital endeavors, including but not limited to:

16 (i) A review of existing public funds, private foundations, and
17 partnerships in venture capital investments;

18 (ii) A review of existing partnerships between State, local, and
19 municipal pension funds and corporate pension funds;

20 (iii) A survey of other states' venture capital investment "best
21 efforts" policies, programs, contributions, and economic development benefits;

22 (iv) A review of existing State "best efforts" policies, program
23 structure, and percentage of Maryland pension fund investments into venture capital;

24 (v) A review of pension funded investment policies in venture
25 capital that meet Maryland's public policy objectives for enhancing tax revenues,
26 company formation, jobs, and targeted economic development in political
27 subdivisions;

28 (vi) A review of the current application of ERISA regulations to
29 venture capital investment policies; and

30 (vii) A determination of factors necessary to promote further venture
31 capital investment in the State of Maryland.

32 (d) The Commission shall issue a final report of its findings and
33 recommendations to the General Assembly in accordance with § 2-1246 of the State
34 Government Article on or before December 31, 1998.

1 (e) The Department of Legislative Services shall provide staff to the
2 Commission.

3 (f) The members of the Commission shall serve without compensation, but
4 shall be entitled to expenses in accordance with the Standard State Travel
5 Regulations.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 July 1, 1998. It shall remain effective until December 31, 1998, and, at the end of
8 December 31, 1998, with no further action required by the General Assembly, this Act
9 shall be abrogated and of no further force and effect.